ERS SYSTEM BENEFITS

Annual benefits from the ERS system by 1985 are estimated below based on in-depth case studies and on in-depth case studies plus extrapolations.

[In millions of dollars]

Benefit area	Studied benefits	Extrapolated benefits
Agriculture	252.5–554.5	726.3–1,511.7
Forestry/rangeland	62.2	92.2
Inland water	57.2	107.3–178.3
Land use	53.5	53.5
Natural resources	1.6–3.9	34.6–80.9
Atmosphere	1.5–10.5	7.1–39.1
Oceans	1.8–4.3	6.8–17.0
Total	430–746	[1] 1,027.8–1,972.7

[1] Does not include potential "substantial benefits" in "industry" area.

THE LOSS FROM LANDSAT PROGRAM DELAY

The present value of benefits foregone in the event of a one-year gap in ERS service occurring in 1977 (following two-year operation of LandSat-2) is estimated to be "$220 million" based on a 10 percent rate of discount, ECON said. A two-year delay would mean the loss of $420 million in benefits. [At a 15 percent discount rate, the benefits foregone would be $147 million and $274 million, respectively.]

The company noted that its report "bases its conclusions on the conservative viewpoint that the measurable benefits are due only to activities requiring technical capabilities presently demonstrated by ERTS [LandSat], and not performed by other existing civilian satellite systems.

"These results alone provide economic justification for an ERS system with capabilities similar to ERTS [LandSat], or better if the cost is not too high. The fact that system alternatives are available merely serves to reinforce this conclusion . . ."

OMB TAKES IMPORTANT STEP TOWARD IMPLEMENTATION OF THE FEDERAL PRIVACY ACT

Mr. PERCY. Mr. President, among the number of truly significant domestic affairs bills to be enacted by the 93d Congress, the Federal Privacy Act of 1974 stands apart as the first comprehensive measure designed to safeguard jeopardized rights of personal privacy. This legislation is certain to stimulate a heightened respect for the right of privacy in every sector of our society.

I am particularly pleased to learn that the Office of Management and Budget has moved without delay to take the first step toward implementation of the Federal Privacy Act. OMB has requested that the heads of all executive branch agencies undertake in-house studies which must be conducted prior to the drafting of implementing agency regulations. Specifically, OMB has requested that all Federal agencies immediately begin to pursue the following tasks:

First. Identify systems of records which they maintain which will be subject to the act. A listing of systems identified through earlier requests by OMB will be circulated shortly. Agencies will be requested to update that list and provide that information to OMB.

Second. Determine the extent to which procedures already exist which meet the requirements of the statute for access, accounting, et cetera.

Third. Consider the applicability, if any, of the exemptions provisions of the bill.

Fourth. Begin to define the routine uses of each system of records.

Unless agency officials act now to determine the nature and extent to which their agencies' personal information systems are covered by the Federal Privacy Act, they will find themselves in the difficult position of having to approve proposed implementing regulations which may be inadequate.

Mr. President, the cosponsors of the Federal Privacy Act and I recognize the necessity of prompt action by the agencies to take the first steps toward implementation of the act. We strongly urge the agencies to cooperate fully with OMB in this regard and we are prepared to lend our continued support to that effort.

ONE TIME ECONOMIC STIMULUS NOT ENOUGH—TO REDUCE UNEMPLOYMENT SIGNIFICANTLY WILL REQUIRE A PROLONGED AND SUBSTANTIAL STIMULUS

Mr. PROXMIRE. Mr. President, there is an article in today's Wall Street Journal by James P. Gannon which is of great importance and which should cause both the President and Congress to think very hard about the path to reduced unemployment and economic recovery.

Mr. Gannon points out a number of very startling and truthful facts.

UNEMPLOYMENT GOES UP FASTER THAN IT COMES DOWN

First, unemployment goes up very much faster that it comes down. It took from 1961 to 1965, even with expansive economic policies, to reduce unemployment from the 6.7 level to 4.5 percent.

We have seen unemployment rise from 5.4 percent in August of 1974 to 7.1 percent in December, and all predictions are that it will go up to a level between 8 and 9 percent in the near future.

BIG STIMULUS NEEDED FOR SMALL UNEMPLOYMENT REDUCTION

Second, under what is known as Okun's law, because it was first formulated by Arthur Okun, the former Chairman of the President's Council of Economic Advisers, it takes a very strong economic stimulus to reduce unemployment by even small amounts. Okun's estimate is that for every additional 1 percent in the growth rate, unemployment is reduced by one-third of a point per year. Therefore, to reduce unemployment by 1 percent, economic growth would have to increase by 3 points. The normal growth rate is about 4 percent a year. Therefore, the economy would have to grow at a 7 percent annual rate merely to reduce unemployment by 1 percent per year.

TWOFOLD PROBLEM

The problem here is twofold. While a growth rate of 7 or 8 percent is not unknown for short periods of time during a recovery period, it has seldom been sustained for a long period of time. Therefore, the outlook for reducing unemployment is not good, not only because it takes such a big stimulus to get a marginal reduction but also because such a big stimulus is difficult to sustain. Furthermore, a growth rate of 7 or 8 percent extended over a very long period of time certainly creates the danger of a new round of inflation. While that danger is not immediate and is not great during the early and intermediate stages of recovery, it would be difficult to sustain a 7 or 8 percent growth rate for the period needed without at some point running into the danger of a new inflation.

NEED PROLONGED AND SUBSTANTIAL STIMULUS

But the single most important point to be made is that at this time—now—we will need a much more substantial and a much more prolonged economic stimulus than the President's program envisions. A one-time tax stimulus—even if it is not offset by the President's energy policies—is just not enough to do the job.

Mr. Gannon's article is one of the most thoughtful I have seen and it raises very profound issues for the President, the Congress, and the American people in fashioning an economic policy which will bring us back to full employment soon.

I commend it to my colleagues and ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A HIGH JOBLESS RATE IS LIKELY TO PERSIST FOR LONG TIME TO COME

(By James P. Gannon)

WASHINGTON.—The steep climb in unemployment, which still has months to run, will take years to reverse.

Economists in and out of government agree that the swift upswing in joblessness caused by the current recession isn't likely to be followed by a similarly rapid decline. The nation's unemployment rate has zoomed from a seasonally adjusted 5.4% of the work force last August to a 13-year high of 7.1% in December, and it appears to be headed for 8% or so by March. Then the jobless rate is likely to stick around 8% for nearly all of 1975, most economists figure.

But working the unemployment rate back down to a more normal 4% to 5% is likely to be a long, hard process. The Joint Economic Committee of Congress, stating that high unemployment "seems destined to dominate the remainder of this decade," forecasts that even above-average economic growth rates wouldn't reduce joblessness below 6% until 1980. While Ford administration economists think that's too pessimistic, they concede it will be two to three years before the unemployment problem can be reduced to normal dimensions.

EMPLOYMENT VS. INFLATION

Why? For one thing, the path back down to tolerable jobless rates will start from the highest point since the end of the Great Depression; unemployment hasn't exceeded 8% since 1940. More important, the sort of boom that would rapidly restore "full employment" is unlikely—and, many economists contend, also undesirable, because it would threaten a worse-than-ever outbreak of inflation. Anyway, the economic pinch imposed by energy costs and shortages may slow job growth for several years.

"The economy has already slipped so far," observes economist Charles L. Schultze of the Brookings Institution in Washington, "that even with vigorous action it will be a long time before recovery can produce reasonable prosperity." Mr. Schultze, a former White House budget director, calculates that even if good luck and effective government economic policies combine to produce a steady economic growth rate of 7% a year (about 4% is the long-term average), it would take until mid-1978 to reduce unemployment to 5%.

That grim outlook has profound economic, political and social implications. It means tough job hunting for college seniors, housewives, teen-agers and other new entrants to the labor force. It means billions of dollars of added strain on federal and state budgets for unemployment benefits. It threatens potential social unrest among the groups hardest hit by unemployment, such as black teen-agers, whose jobless rate already is 38% (versus 16% for white teen-agers).

The burden of unemployment is spread unevenly among various groups of workers, but it is worsening now for all groups. While teen-agers have the highest jobless rates, more than 80% of the increase in unemployment since August has been among adults. Of the nearly 1.7 million persons added to the jobless rolls since August, almost 700,000 were adult men and 650,000 adult women.

The recession is hitting especially hard at blue-collar workers, whose jobless rate reached 9.4% in December, compared with 4.1% for white-collar employees. The unemployment rate among married men still is only 3.7%, but that's up from 2.2% a year ago. And unemployment among female heads of families is 8.5%. While these figures do not necessarily imply as great a degree of hardship as suffered in some past recessions, given the liberalization nowadays of unemployment benefits and other such "cushions," they signify a growing economic, social and political problem.

A PRESIDENTIAL LIABILITY

For Gerald Ford, the prospect of a long bout of high unemployment represents a peril that could end a presidency. Mr. Ford already has been warned by his economic aides that bad-looking unemployment rates are sure to continue in election year 1976. Even if the recession should end later this year, it's doubtful that the politically potent jobless rate would drop below 6.5% or so during 1976, his economists concede.

"We haven't had a presidential election since the Great Depression with an unemployment rate as high as it is going to be in 1976," contends one Washington economist. Whether that alone would be enough to defeat Mr. Ford—or else convince him not to run—is problematical, but it would be a gigantic liability.

Some White House officials argue that in political terms, it's not the absolute level of the jobless rate that's important but whether the rate is moving up or down. They figure that if Mr. Ford can point to a declining rate next year, he will survive. Fear of job loss is greater, one White House economist says, "if the rate is moving up from 4% to 6% than it would be if it's moving down from 7% to 5%."

The President himself is taking an optimistic view of the economic and political outlook. In a televised interview last week, he admitted that he would face "pretty tough odds" against reelection if double-digit inflation and 7% unemployment gripped the economy in 1976. But, Mr. Ford said, he looks for a more rapid economic rebound than the "pessimists" do. "So I am not anticipating that in 1976 we are going to have that high unemployment," he added.

Some administration economists aren't so optimistic. As the election year begins, one official predicts, the unemployment rate probably will be around 8%, a prospect that would horrify the White House. The President's new economic plan, featuring one-time tax cuts in 1975, probably won't provide enough thrust in 1976 to push the jobless rate below 7% by election day, he figures. Thus he expects Mr. Ford either to propose even more stimulative economic measures late this year or early in 1976, or willingly accept economy-boosting measures passed by the Congress.

Whatever its ultimate political impact, worsening unemployment will take a huge toll in economic loss and human hardships. December's 7.1% unemployment rate translates into 6.5 million jobless persons, the largest number out of work since the Great Depression (when unemployment reached 25% of a much smaller work force).

Because the recession is expected to bring further layoffs during the next few months, the jobless rate may spurt quickly to a post-Depression peak, government economists believe. Talking in "round numbers," one analyst figures the rate may rise "a half point in January and a half point in February"; it would thus climb above 8% in the first quarter rather than in the third quarter, as officials predicted earlier. "We have a more sudden and steeper rise" than had been expected this analyst says.

At some point later this year, unemployment probably will peak out in the 8% to 9% zone, most economists believe. But they see little if any decline before 1976. One reason is that even if there's a second-half upturn in the economy—which is by no means assured—it will be a modest, slow-starting one administration economists concede. The other reason is that the jobless rate is a sticky statistic; it normally doesn't start dropping until some months after a recovery begins.

"Employment tends to lag production," Assistant Commerce Secretary James Pate explains. "Employers won't hire back people until they are convinced there really is a recovery in progress" and their own production should be increased, he says. Mr. Pate figures that even if a mild economic upturn starts in the third quarter of 1975, as the administration predicts, it probably would be well into the fourth quarter before the unemployment rate started turning down.

Then there's the long road back to "normal" unemployment levels. Those predictions that the process could take much of the rest of this decade aren't sheer guesswork or crystal-ball gazing. They're based on the record of the past.

CONSULTING THE PAST

"It takes a hell of a lot of economic stimulus to reduce unemployment," comments Nat Goldfinger, chief economist for the AFL-CIO. "The experience of the 1960s demonstrates that."

Mr. Goldfinger notes that the unemployment rate averaged 6.7% in 1961, the first year of President Kennedy's administration. "It took four years of substantial effort, including a massive tax cut (in 1964) and the startup of the Vietnam war to get the unemployment rate down to 4.5% by 1965," the labor economist says. "And now we're starting from a higher level, so we'd need several years of rapid economic growth" to reach 4% unemployment again, he contends.

Economists use a formula known as "Okun's Law" to calculate the likely trend of future unemployment rates. The formula, devised by former White House economist Arthur Okun, is complicated, but it boils down to the following rule of thumb, somewhat oversimplified: Just to keep unemployment steady and absorb the normal growth in the labor force, the "real" gross national products (total output of goods and services, adjusted for inflation) must grow at a 4% annual rate; for every percentage point of growth above or below 4%, the jobless rate is reduced or raised by one-third of a point. Thus, a 7% annual growth rate in real GNP would chop the jobless rate by one percentage point a year.

Using that rule of thumb, which has proved accurate in the past, economists can project how fast unemployment will rise or decline, given various economic growth rates. That's how Mr. Schultze of the Brookings Institution gets his forecast that it would take three years of 7% real growth to lower the jobless rate by three points—from 8% in mid-1975 to 5% in mid-1978.

MECHANISTIC CALCULATIONS?

The Joint Economic Committee, in a recent report, used similar calculations to arrive at its grim outlook on unemployment. The Democratic-dominated panel recommended policies to produce an 8% annual economic growth rate in 1976 and 1977. "Even so," its report said, "unemployment may average about 7% in 1976 and slightly above 6% in 1977. Growth rates of 5% to 6% would be needed in 1978 and 1979 even to bring the unemployment rate under 5% by 1980."

Some economists reject these calculations as too mechanistic, though admitting it will take two to three years to undo the present spurt in unemployment.

"I don't have a great deal of faith" in projections based on Okun's Law, comments Mr. Pate of the Commerce Department. "The key to this unemployment rate is labor-force growth, which is hard to forecast," he says. Mr. Pate suspects that the work force may start growing more slowly in the next few years; that would make possible a more rapid decline in the jobless rate.

The Labor Department's projections don't indicate any significant slowdown in the growth of the work force in the years immediately ahead, though some slowdown is expected after 1980. The labor force, the projections say, will continue growing at an annual rate of 1.7% during the rest of the 1970s, about the same as in the 1960s. These projections assume continuation of recent trends, including a slightly declining relative participation of men in the labor force and a rising participation rate for women. If those assumptions are wrong, Mr. Pate could be right, and the jobless rate would fall faster than the calculations under Okun's Law suggest.

Herbert Stein, chief White House economist under President Nixon, says that he's "skeptical" of projections such as the Joint Economic Committee's. He recalls a one-year period, from the spring of 1958 to spring of 1959, when the jobless rate dropped about two points as the economy recovered from a recession. But a drop of 1% a year is more common in a recovery, he notes, adding: "It may be wise policy to get back down (to 5% or so) rather slowly," in order to avoid overheating the economy into an inflationary outburst.

That's the sort of thinking that dominates in the Ford administration right now. One senior presidential adviser, asked how soon the unemployment rate might recede to 5%, responds: "It is most unlikely to occur within the next two years." Even if it were possible, he adds, "I'm not sure it would be desirable" to reduce joblessness any faster. "Trying to force-draft our way down probably would create a too-high inflation rate, which means we wouldn't be able to hold unemployment down more than temporarily," the official contends.

This official's comments suggest that, unless 1976 political pressures force another policy switch, the administration prefers a slow, steady erosion of the jobless rate. And that is a process of years.

ARMCO'S RESPONSE ON RESERVE MINING CASE

Mr. PERCY. Mr. President, in previous reports to the Senate I have often expressed my support of the Federal Government and the States of Wisconsin, Minnesota, and Michigan in the celebrated Reserve Mining case. The case involves alleged pollution of Lake Superior by taconite tailings and an alleged health